

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2007-286-WS - ORDER NO. 2013-77

FEBRUARY 12, 2013

IN RE: Application of Utilities Services of South)	ORDER ON REMAND
Carolina, Incorporated for Adjustment of)	GRANTING RATE
Rates and Charges and Modifications to)	RELIEF
Certain Terms and Conditions for the)	
Provision of Water and Sewer Service)	

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on remand from the Supreme Court of South Carolina (the “Court”). In *Utilities Services of South Carolina, Inc., v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 708 S.E.2d 755 (2011) the Court reversed the Commission’s Orders No. 2008-96 and No. 2009-353 denying the increase sought by Utilities Services of South Carolina, Inc. (“USSC” or the “Company”) and remanded this matter for further proceedings.

In response to the Court’s order on remand, the Commission directed USSC in Order No. 2011-363, to provide verified testimony on the following matters: (i) specific capital improvements by project and dollar amount that the Company made on a neighborhood-by-neighborhood basis from January 1, 2005, through December 31, 2006, and how these expenditures contributed to improved service; (ii) specific ongoing operations programs by project and dollar amount instituted from January 1, 2005, through December 31, 2006, and how these expenditures contributed to improved

service; and (iii) information comparing Bio-Tech's prices related to sludge hauling to the prices of Bio-Tech's competitors for the same service during the period of January 1, 2006, through December 31, 2006.

The South Carolina Office of Regulatory Staff ("ORS") filed a Petition for Rehearing on June 16, 2011, and requested the Commission reconsider its order allowing USSC to submit new or additional testimony and recommended that the Commission adopt ORS's proposed order. USSC answered that the Commission's order simply required USSC to provide additional information related to expense and rate base items and allowed ORS the opportunity to respond to that information. We denied ORS's Petition for Rehearing in part finding that, without an evidentiary hearing, we would deprive USSC its "fair opportunity" to respond to the Commission's specific inquiries as ordered by the Court and that we believe the Court authorized the taking of additional evidence through its citation of *Hilton Head* in its order.¹ ORS requested a hearing be scheduled to permit cross-examination of any new or additional information if the Commission allowed additional evidence to be introduced. USSC did not object to ORS's request. We granted ORS's request for hearing and established pre-filed testimony deadlines but limited testimony to those issues identified in Order No. 2011-363.²

¹ *Hilton Head Plantation Utilities, Inc. v. Public Service Comm'n of S.C.*, 312 S.C. 448, 449-52, 441 S.E. 2d 321,322-323 (1994).

² USSC filed a Motion to Preclude Testimony and to Strike Protests and in the Alternative a Motion In Limine on October 21, 2011. The Commission denied the Motion to Preclude Testimony but granted the Motion in Limine in Order No. 2011-815 and allowed for testimony limited to the three issues identified in Order No. 2011-363.

The hearing on remand was held January 17, 2012, in the Commission's hearing room located at Synergy Business Park, 101 Executive Center Drive – Saluda Building, Columbia, South Carolina. USSC was represented by John M. S. Hoefer, Esquire, and Benjamin P. Mustian, Esquire. ORS was represented by Nanette S. Edwards, Esquire, and Jeffrey M. Nelson, Esquire. During the course of the hearing, the Commission heard statements from eight members of the public and one elected official who testified in opposition to any rate increase. Ms. Leslie Hendrix testified that she believed no capital improvements were made in her neighborhood, Dutchman Shores, as did Ms. Melanie Wilson and Mr. Ken Cheek, both residents of the Lakewood subdivision. Several residents of the Foxwood subdivision, Ms. Linda Faile, Mr. Mark Paterno, Mr. James Earnhart, and Mr. James Knowlton testified that their quality of water had not improved.³ Ms. Frankie Eaker, who resides in the Hill and Dale subdivision, testified that she believed the amount spent by USSC on the system serving her subdivision between January 1, 2005, and December 31, 2006, was of little benefit when compared to the total spent by the company during this period.

Mr. Steven M. Lubertozi, Executive Director of Regulatory Accounting and Affairs for Utilities, Inc., submitted pre-filed verified testimony to the Commission on September 16, 2011, and testified at the hearing as to (i) the specific capital improvements made by the Company between January 1, 2005, through December 31, 2006; (ii) the ongoing operations programs instituted from January 1, 2005, through December 31, 2006, and how these expenditures contributed to improved service; and

³ We note that USSC has been granted approval to interconnect the Foxwood subdivision to York County in Docket No. 2011-515-W.

(iii) information comparing Bio-Tech's prices related to sludge hauling to those of its competitors for the period of January 1, 2006, through December 31, 2006, as directed by Order No. 2011-363. Exhibits SML-1 through SML-6 were admitted as Hearing Exhibit 1 and provided detailed responses to the issues identified in Order No. 2011-363. With regard to the Dutchman Shores subdivision, Mr. Lubertoizzi testified that the amount of \$55,863 in capital improvements was largely related to the demolition and removal of facilities associated with wells previously used to serve customers. In response to Commissioner questioning, Mr. Lubertoizzi described the ongoing programs to maintain the system, and he went on to explain that, for the Foxwood subdivision, the Company determined the best option to improve water quality is through interconnection with York County.

In response to the testimony received from the public questioning the evidence of the Company's capital improvements, the Commission requested at the close of the hearing three late-filed exhibits from the Company to further detail the specific capital improvements for each subdivision and to clarify the number of vehicles allocated to USSC. The Company submitted late-filed exhibits 2, 3, and 4 on September 21, 2012.

USSC is a NARUC Class C wastewater utility and a Class A water utility. USSC's service area includes portions of Abbeville, Anderson, Lexington, Richland, Saluda and York Counties. According to USSC's Application, water supply and distribution services were provided to 6,854 residential and commercial customers, and wastewater collection and treatment services were provided to 376 residential and commercial customers.

To establish just and reasonable rates, the Commission must consider competing interests; the interests of the customers of the system to receive quality service and a quality product at a fair rate as well as the interest of the Company to have the opportunity to earn a fair rate of return. The Commission must give due consideration to USSC's total revenue requirements, comprised of both the opportunity to earn a fair return on equity, as well as allowable operating costs. To accomplish this, the Commission must review evidence admitted into the record regarding the operating revenues and Operating Expenses of USSC, and endeavor to order adequate and reasonable levels of revenues and expenses for the company. The Commission must also establish a fair rate of return on equity based on the record in this case. If the record establishes that a rate increase is warranted for the company, the Commission will attempt to design and order rates which are just and reasonable and free from undue discrimination.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

After thorough consideration of the entire record in the USSC hearing and the hearing on remand, including the testimony and all exhibits, and the applicable law, the Commission makes the following findings of fact and conclusions of law:

1. USSC is a corporation organized and existing under the laws of the State of South Carolina and authorized to do business in the State of South Carolina.
2. USSC is a public utility as defined by S.C. Code Ann. §58-5-10(4) (Supp 2012), providing water and sewer service to the public for compensation in certain areas of South Carolina and is subject to the jurisdiction of the Commission.

3. USSC's current rates and charges for both water and sewer were placed in effect under bond as provided for by S.C. Code Ann. §58-5-240(D) (Supp. 2012)

4. In *Utilities Services of South Carolina, Inc., v. South Carolina Office of Regulatory Staff*, the Court reversed our orders denying the increase sought by USSC and remanded this matter for further proceedings. The Court instructed this Commission to provide USSC the opportunity to meaningfully respond with the information we requested and to determine whether USSC's expenses have increased since its last rate Application such that it might be entitled to an increase in its rates. We find, based on the testimony and exhibits entered into the record at the hearing on remand, that the Company has made capital improvements and provided testimony detailing those improvements on a neighborhood-by-neighborhood basis.

5. The appropriate test year period for purposes of this proceeding is the twelve month period ending December 31, 2006. The test year is contained in the Application of USSC as well as the testimony and exhibits of the parties' witnesses in this case. The establishment of a test year is a fundamental principle of the ratemaking process. *Heater of Seabrook v. S.C. Pub. Serv. Comm'n*, 324 S.C. 56, 478 S.E. 2d 826 (1996). The establishment of a test year is used to calculate what a utility's expenses and revenues are for the purposes of determining the reasonableness of a rate. The test year is established to provide a basis for making the most accurate forecast of the utility's rate base, revenues, and expenses in the near future when the prescribed rates are in effect. *Porter v. S.C. Pub. Serv. Comm'n*, 328 S.C. 222, 493 S.E.2d 92 (1997). It also provides the Commission with a basis for estimating future revenue requirements. In the present

case, the Commission has concluded that the appropriate test year to use is the twelve-month period ending December 31, 2006. No party contested the use of this test year as proposed by USSC in its Application.

6. In accordance with the Application filed in this case, the Commission will use the Return on Rate Base methodology in determining the reasonableness of USSC's proposed rates. The Public Service Commission has wide latitude in determining an appropriate rate-setting methodology. *Heater of Seabrook*, 324 S.C. at 64, 478 S.E.2d at 830. Here, the Applicant has submitted evidence of substantial plant investment, and ORS has conducted its analysis and based its recommendations on a rate of return methodology. No party has raised any objection to the use of the Return on Rate Base methodology in this proceeding.

7. By its Application, USSC requested an increase in rates and charges for its combined operations to produce net operating income of \$853,331 (Exhibit B to Application). By the use of accounting and pro forma adjustments, ORS computed Net Income for Return after the requested increase to be \$1,112,380 (total operating revenues of \$4,415,435 less Operating Expenses of \$3,306,495 and added customer growth of \$3,440). Both USSC and ORS calculations of the amount of the proposed increase were based on the Proposed Schedule of Rates and Charges contained in Exhibit A to the Company's Application.

8. Total Operating Revenues for USSC for the test year are \$3,026,716. We accept ORS' calculation of USSC's test year service revenues for combined operations, as adjusted, of \$2,980,635, and taking into account miscellaneous revenues and

uncollectible accounts, total operating revenues for the test year calculated by ORS of \$3,026,716. (Exhibit WJM-3, Hearing Exhibit 13). At USSC's proposed rates, combined operations service revenues, as adjusted, were calculated by ORS to total \$4,378,299. USSC's Application shows combined per books test year operating revenue of \$2,848,170 and Pro Forma present combined revenues of \$2,886,530. Exhibit B, pg. 2 of 16 to Application. ORS used consumption data provided by USSC and verified during ORS' examination as a basis for its revenue calculations. Due to alleged inconsistencies in the company's customer account records, ORS imputed certain test year revenues based on customer billing information provided by USSC in the Application and supplemental customer data provided by USSC and DHEC. (Morgan, Direct Testimony, pgs. 7–8). We find the method of such calculations to be reasonable and fair and therefore accept the above stated combined service revenue for the test year, as adjusted per ORS, to be \$2,980,635.

9. The Returns on Rate Base for USSC during the test year were calculated by ORS Witness Townes, after recommended accounting and pro forma adjustments, to be 2.85% for the test year and 12.17% after calculating the Company's Proposed Increase (Surrebuttal Exhibit PBT-1, Hearing Exhibit 11). Operating Margins for the Company were calculated by ORS Witness Townes, after recommended accounting and pro forma adjustments, to be (3.31%) for the test year and 17.02% after the company's proposed increase. At the hearing, USSC Witness Georgiev stated that the Company accepted the accounting adjustments proposed by ORS. We approve ORS' adjustments and find the

Return on Rate Base for USSC to be 2.85% for the test year ended December 31, 2006, and to be 12.17% after calculating USSC's proposed increase.

10. The Commission finds that the conclusions and their bases for establishing an appropriate range for a rate of return on equity for USSC contained in the testimony of ORS witness Dr. Douglas Carlisle are reasonable. Dr. Carlisle concluded that 9.42% was a reasonable low point and that the top end of his range should be no more than 10.14%. The Commission therefore finds that a just and reasonable return on equity for USSC under the current Application and based on the evidence and testimony provided by ORS economist Dr. Douglas Carlisle to be 9.42%.

11. The Commission finds that ORS Witness Morgan's adjustments regarding service revenues are appropriate. ORS proposed a service revenue adjustment totaling \$179,697 to normalize water and sewer revenues reported by USSC for the test year. In reaching this adjustment, ORS proposed pro forma and revenue service adjustments of \$227,132 additional water and sewer revenues based on its Application of the approved rates for USSC for the entire test year and adjusted water consumption to reflect customer billings as provided by USSC. ORS additionally reduced water service revenues by \$47,435 to eliminate normalized revenues for the Lakewood Estates, Arrowhead Shore, and Pleasant Hills subdivisions as the residents of these neighborhoods are no longer customers of USSC.

12. ORS calculated USSC's test year service revenue for water operations, as adjusted, of \$2,793,883 and for wastewater operations, as adjusted, of \$186,752. Combined operations revenues were calculated by ORS for the test year, as adjusted, at

\$2,980,635. The Commission finds that the appropriate total operating revenues of USSC during the test year under present rates and after accounting and pro forma adjustments are \$3,026,716. See Surrebuttal Exhibit PBT-1, Hearing Exhibit 11.

13. The Commission finds that the combined Operating Expenses for USSC for the test year under present rates and after the appropriate accounting and pro forma adjustments are \$2,766,575. ORS Witness Townes offered testimony and exhibits detailing adjustments. See Surrebuttal Exhibit PBT-1 and Surrebuttal Exhibit PBT-4, Hearing Exhibit 11. Witness Townes' testimony included updated water service revenues, customer growth, and rate case expenses. Revenue impact and customer growth analysis were performed by ORS and testified to by ORS Witness Morgan and were adopted by Witness Townes in his calculations. Details of the revenue and customer growth analysis are shown on the Exhibits WJM-3 and WJM-4, Hearing Exhibit 11. Rate case expenses included in the net income for return were those received by ORS as of November 13, 2007. Counsel for USSC requested at the hearing, and the Commission Chairman granted from the bench, that this Commission keep the record in this case open to allow USSC to present rate case expenses through the date of the hearing in this matter. From the stand, ORS witness Townes agreed to examine and report to the Commission regarding these additional rate case expenses. On January 11, 2008, Witness Townes submitted a detailed report and Affidavit with the Commission providing for total rate case expenses in this case of \$184,300. This late filed exhibit was made a part of the record in this matter as Hearing Exhibit 12.

14. The majority of ORS Witness Townes' testimony referred to is in his Surrebuttal Exhibit PBT-4 – "Explanation of Accounting and Pro Forma Adjustments," Hearing Exhibit 12. The witness explained in detail the Fifty-One (51) adjustments proposed by ORS. Witness Townes also testified regarding Rebuttal Exhibit PBT-1 – "Operating Experience, Rate Base and Rates of Return," Hearing Exhibit 12. The Witness testified that, within that Exhibit, Column (1) shows the per company Application figures of USSC as of December 31, 2006. Column (2) shows the proposed accounting and pro forma adjustments designed to normalize USSC's per company Application figures (described in Surrebuttal Exhibit PBT-4). Column (3) shows the result of a normalized test year for USSC by adding columns (1) and (2). The Total Income for Return is based on the total operating revenues less total Operating Expenses. The Operating Margin is computed by dividing the Total Income for Return less interest expense by the total operating revenues.

15. The Commission finds the accounting and pro forma adjustments proposed by the ORS witnesses Townes and Morgan, as set forth in each witness's direct and surrebuttal testimony, are appropriate for rate making purposes. See Hearing Exhibits 11 and 13.

16. The Commission finds that Mr. Townes' Surrebuttal Exhibit PBT-5, Hearing Exhibit 11, shows the appropriate adjustments to depreciation expenses and amortization for rate making purposes total \$40,597. Surrebuttal Exhibit PBT-6, Hearing Exhibit 11, shows the accurate computation of the income tax adjustment. ORS proposed adjustments 1 through 28 and 31 through 51 were accepted by USSC through the

Rebuttal Testimony of Witness Georgiev. Witness Georgiev did take exception in her rebuttal testimony to adjustments to the Company's Operating Expenses regarding three subdivisions which the company had transferred, adjustments to rate case expenses, and adjustments to additional plant in service. From the witness stand, Witness Georgiev stated that the company accepted all of the adjustments contained in ORS Witness Townes' Surrebuttal Exhibits, with the exception of the issue of rate case expenses, which as previously stated were to be submitted to the Commission as a late filed exhibit, Hearing Exhibit 12. USSC made no objections to or presented any contrary evidence to Mr. Townes' calculations reflected in his Surrebuttal Exhibits, Hearing Exhibit 11.

17. The Commission finds that by accepting all the adjustments as proposed by witnesses Townes and Morgan, the Company's current Return on Rate Base is 2.85% and its current Operating Margin is (3.31%) under USSC's presently approved rates and charges. Therefore, the Commission finds that an adjustment of USSC's rates and charges is warranted. An increase in rates and charges appears justified for the Company to provide its residential and commercial customers with safe and adequate water and wastewater services.

18. Based on the Return on Rate Base and Operating Margin for the test year contained in Surrebuttal Exhibit PBT-1, Hearing Exhibit 11, we find that USSC has demonstrated the need for an increase in rates.

19. When applied to the as adjusted test year operations, the rates requested in the Company's Application result in a Return on Rate Base of 12.17% and an Operating Margin of 17.02%.

20. The Commission finds that, based on the testimony of ORS Witness Carlisle, a Return on Rate Base of 12.17% is an unreasonable return for a water and sewer utility such as USSC; however, the Commission finds that a Return on Equity of 9.42%, an Operating Margin of 9.12%, and a Return on Rate Base of 7.73% are reasonable.

21. In order for USSC to have the opportunity to achieve a Return on Equity of 9.42%, the net income requirement for USSC, under Operating Margin methodology found appropriate in this Order and using the adjusted operating revenues and Operating Expenses approved herein is \$707,122. This will effectively yield an Operating Margin for the Company of 9.12%.

22. In order for USSC to have the opportunity to earn the herein approved Return on Equity of 9.42%, USSC must be allowed additional annual water service revenues of \$772,965. No additional annual sewer service revenues are required.

23. To achieve additional annual water service revenues of \$772,965 and an annual net income requirement of \$707,122, the rates and fees as set forth in Appendix A attached hereto are approved and found to be just and reasonable.

24. The appropriate Operating Margin for USSC based upon the herein approved adjustments and rates is 9.12%.

25. The Commission finds that USSC should further adjust its tariff to provide an incentive for the Company to aggressively target and repair leaks on the distribution system in order to curtail unnecessary use of water in utility operations, protect the consumer, and encourage water conservation. Under the current tariff, all non-account

water costs are borne by the customers of the system, which are supplied with water by the company through a third-party bulk provider. The Commission finds that the language contained in the present USSC tariff related to pass-through water supply must be amended to limit the amount of non-account water to be no more than 10%. The specific language to be added to the Company tariff shall be that contained in Exhibit WJM-8, Hearing Exhibit 13.

26. The Commission further finds that the evidence presented by ORS Witness Morgan concerning unaccounted for water in certain subdivisions or areas within the USSC system warrants having USSC perform a water audit of all systems shown in Exhibit WJM-7, Hearing Exhibit 13 to have reported a water loss during the test year in excess of 10%. We find that a 10% water loss standard is reasonable and within the allowable standards established by the American Waterworks Association as previously adopted by this Commission in Order No. 2002-866.

IT IS THEREFORE ORDERED THAT:

1. USSC is entitled to rate relief on the basis of its current Return on Rate Base of 2.85% and Operating Margin of (3.31%).
2. The proposed schedule of rates and charges filed by USSC is hereby found to be excessive as such and would result in a Return on Rate Base in excess of 12% and an Operating Margin of over 17%.
3. USSC shall be entitled to charge rates and fees appropriate to obtain a Return on Equity of 9.42% in order to obtain an Operating Margin of 9.12% and a Return on Rate Base of 7.73%.

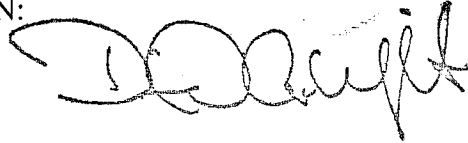
4. USSC shall amend its tariff to provide a limit of 10% of unaccounted for water related to its pass-through provision applicable to certain subdivisions or areas within the USSC system.

5. USSC shall perform water audits on all systems shown in Exhibit WJM-7 to have reported a water loss in excess of 10% during the test year. The results of the audits should be reported to this Commission and ORS within 90 days of the Company's receipt of this Order. If the Company needs additional time to perform the audits, the Company may file a request with the Commission accordingly.


6. The rates and schedules in Appendix A attached hereto are hereby adopted by the Commission. Because the rates approved hereby as reflected in Appendix A to this order are the same as those placed into effect under bond by the Company in accordance with our Order No. 2008-269 in this docket, no refund is required. *Cf.* S.C. Code Ann. §58-5-240(D) (Supp. 2012). Accordingly, we also hereby approve the Company's cancellation of Surety Bond No. 105073455 filed May 5, 2008, and authorize USSC to notify the underlying carrier of its cancellation pursuant to this Order.

7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



David A. Wright, Chairman

ATTEST: 

Randy Mitchell, Vice Chairman

(SEAL)

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FEBRUARY 12, 2013

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

RATES

APPENDIX A

APPENDIX A

WATER

1.
Monthly Charges

Residential (less than 1" meter)

Basic Facilities Charge per single family
house, condominium, mobile home or apartment unit:

\$16.53 per unit

Commodity Charge:

\$5.40 per 1,000
gallons or 134 cft.

Commercial/Residential (for 1" meter or greater)

Basic Facilities Charge
by meter size:

1 " meter	\$44.00
1.5 " meter	\$80.00
2 " meter	\$130.00
3 " meter	\$275.00
4 " meter	\$403.02

Commodity Charge:

\$5.40 per 1,000
gallons or 134 cft.

Charge for Water Distribution Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Company, the following rates apply:

Residential (for less than 1" meter)

Basic Facilities Charge per single family
house, condominium, mobile home or apartment unit:

\$16.53 per unit

Commodity Charge:

\$2.91 per 1,000
gallons or 134 cft.

Commercial/Residential (for 1" meter or greater)

Basic Facilities Charge
by meter size

1 " meter	\$44.00
1.5 " meter	\$80.00
2 " meter	\$130.00
3 " meter	\$275.00
4 " meter	\$403.02

Commodity Charge

\$2.91 per 1,000
gallons or 134 cft.

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

RATES

APPENDIX A

WATER (continued)

The utility will also charge for the cost of water purchased from the bulk water provider. The charges imposed by the bulk water provider will be charged to the Utility's affected customers on a pro rata basis without markup. The Utility shall limit the amount of non-account water charged to customers not to exceed 10% of total water purchased from the governmental body or agency, or other entity. Water loss due to leaks and routine system flushing must be accounted for and thoroughly documented by detailing location, timeframe and reason for leak or flushing. Where the utility is required by regulatory authority with jurisdiction over the utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the utility's affected customers on a pro rata basis, without markup. The utility shall give the Commission thirty days notice of its intent to pass-through to customers purchased water charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The utility shall provide with such notice written documentation of an increase in the amount of purchased water justifying the increase in the amount of purchased water charges sought to be passed-through to affected customers. In the event that an increase in the amount of purchased water charges to be passed through to customers rate is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days notice before the increase in the purchased water charges to be passed through may be put into effect.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2.
Nonrecurring Charges

Tap Fees	\$500.00 per SFE*
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3.
Account Set-Up and Reconnection Charges

a. Customer Account Charge - for new customers only. All Areas	\$25.00
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b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of thirty five dollars (\$35.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

**RATES
APPENDIX A**

WATER (continued)

charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

**4.
Billing Cycle**

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

**5.
Extension of Utility Service Lines and Mains**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

**6.
Cross Connection Inspection Fee**

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2 (Supp. 2006), as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.8.(Supp. 2006), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill.

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

RATES

APPENDIX A

WATER (continued)

- * A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities – 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2006), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. For water service to customers not described in R. 61-67, such as irrigation service, the tap fees shall be the same as those for one (1) SFE.

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

RATES
APPENDIX A

SEWER

1.
Monthly Charges

Residential - monthly charge per single-family house, condominium, villa, or apartment unit	\$41.39 per unit
Mobile Homes - monthly charge	\$29.74 per unit
Commercial - monthly charge	\$41.39 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Charge for Sewer Collection Only

When sewage is collected by the utility and transferred to a government body or agency, or other entity, for treatment, the utility's rates are as follows:

Residential - monthly charge per single-family house, condominium, or apartment unit	\$26.64 per unit
Commercial - monthly charge per single-family equivalent	\$26.64 per SFE*

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup. The Utility shall give the Commission thirty days notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of treatment charges sought to be passed-through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers rate is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days notice before the increase in the treatment charges to be passed through may be put into effect.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

RATES
APPENDIX A

SEWER (continued)

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for pumping the tank and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement and may be paid for over a one year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such a visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2.

Nonrecurring Charges

Tap Fee

\$500 per SFE*

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3.

Notification, Account Set-Up and Reconnection Charges

a. Notification Fee

A fee of six dollars (\$6.00) shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

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b. Customer Account Charge - for new customers only.

All Areas

\$25.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer also takes water service.

c. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty dollars (\$250.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected.

4.

Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5.

Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

6.

Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system. In no event will the Utility be required

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to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

- * A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2006), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.